Insurance policy scam

641. SHRI VEDPRAKASH P. GOYAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that CBI has unearthed an insurance policy scam in which some LIC agents and staff used the premium paid by MCD employees;

(b) if so, what is the magnitude of the scam and what is the *modus operandi* involved;

(c) whether it shows the high handedness of agents as they were alleged to be diverting premium and using it to attract fresh policy holders and how it was made possible; and

(d) the details of steps being taken to stop similar incidents in future?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Central Bureau of Investigation (CBI) has registered a case against officials and agents of Life Insurance Corporation of India (LIC) on 27.9.2005 and raided the Khan Market, New Delhi office of LIC on 28.9.2005. LIC has estimated the maximum net unreconciled amount to be of the order of Rs. 65 lacs in this case. LIC has reported that its branch Office in Khan Market, New Delhi services Salary Saving Scheme (SSS) of Municipal Corporation of Delhi (MCD). As per this scheme, MCD is required to deduct the premium due from the salaries of the employees and remit the same to LIC. The accused persons did not adjust the premium deducted from the salaries of the MCD employees but adjusted such remittances against fresh proposals and towards renewal premium of other policy holders. Owing to this diversion of renewal premium, various policies of MCD employees were having multiple gaps in their premium payments. LIC has initiated disciplinary action against five agents and eighteen staff members.

(d) To avoid recurrence of such incidents in future, LIC has taken following steps:—

(i) It has put in place a very robust mechanism, *viz.*, extensive use of computers and double back up of records.

(ii) It has discontinued the practice of accepting deposits towards Salary Saving Scheme Policy directly from the agents.